



**MINUTES
PUBLIC MEETING
TUESDAY, FEBRUARY 17, 2006
8:00 AM
IGCS CONFERENCE 12**

I. Call to Order

The meeting was called to order by Jeff Heinzmann at 8:05 AM.

II. Roll Call

Jeff Heinzmann, Judy Rhodes, and Tony Armstrong were present. Ryan Kitchell and Tim Berry were absent.

III. Reading of the Minutes

Tony Armstrong moved to approve the minutes for the November 18, 2005 Public Meeting and December 16, 2005 Public Meeting. Judy Rhodes seconded the motion and the minutes were approved unanimously.

IV. Secretary's Report

Jeff Heinzmann distributed a list (copy attached) of new local subdivisions for the quarter. Mr. Heinzmann reported to the Committee that the Pilot Leave Conversion Plan the Judicial and Legislative Branches elected to participate in had been completed and the conversion transactions posted with no problems.

V. Investment Consultant's Report

Joe Bill Wiley of Capital Cities Investment Advisors gave an overview of fund performances looking at the funds highlighting qualitative, long, and short term performance. The quarter was essentially uneventful. Despite falling energy prices and rising interest rates, the plan's investment options experienced positive returns across asset classes.

Chris Welker of Capital Cities began his report by pointing out some revisions to Capital Cities' report format. Continuing, Mr. Welker pointed out that on page 2 of the "Plan Summary" the return for the Wells Fargo Adv. Capital Growth Fund was skewed due to the money rolled into the fund upon the fund's December 7, 2005 rollout.

During the individual fund overview, Mr. Welker highlighted to the Committee that the Scatter Chart had been enhanced to now be rolling rather than the previous 3-5 year bench mark. AllianceBernstein Growth and Income Fund did out perform its peers for the quarter, but under performed by the S & P benchmark. The driver of the underperformance was the fund's underweight position in energy and utilities. Ms. Rhoades asked if AllianceBernstein fund was the best fund for our participants, requesting that the Committee revisit the issue of poor performance. Ms. Rhoades further stated that this particular fund has always been on the top of a list provided by a Tippecanoe County Financial Consultant Service as a poor-performance fund. Mr. Welker explained that although this fund is not on a "watch list" it is being monitored. He added that the fund is managed in accordance with its objective and design. Capital Cities reiterated its comfort with the fund. Mr. Heinzmann pointed out that 11% of the plan's participants are in AllianceBernstein, and that participants can (and sometimes do) respond to fund performance by moving contributions to another fund on their own, emphasizing the fund has been a cause for concern for the past 1.5 – 2 years, but that its performance is constantly reported to participants on their statements and through the plan website.

Ms. Rhoades asked for further clarification of what monitoring the fund meant, to better articulate the meaning to participants. Mr. Welker explained that the fund is established with a specific approach or objective. What they monitor is behavior outside of the objectives they have stated, like making investments outside of those objectives. Another might be a manager change. There could be underlying changes in the objectives that differ from the previous manager. AllianceBernstein had a strong performance in the 4th quarter, while its past performance in recent years dragged down the performance of the fund. Mr. Heinzmann pointed out that the prior version of the Committee's Investment Policy Statement had specific performance "triggers" that could place a fund on a watch list, but that the Committee chose in the past year to rely upon a more flexible structure in order to avoid tying its hands and forcing the replacement of funds that are solid investments experiencing poor performance due to cycles within the market. Mr. Armstrong pointed out that in 2002 AllianceBernstein did not under perform when the markets were down, and asked whether the fund's strategy was such that it tends toward a less volatile performance, over time not quite reaching the highs when the market is up, but trying to avoid then bottom when the markets are down. Mr. Welker agreed with this assessment. Ms. Rhoades thanked the Committee for the conversation stating that it was very helpful. Adding that it should be reassuring to the participants that the Committee had taken the time to thoroughly discuss this issue.

Mr. Welker continued his presentation to the Committee, noting the Wells Fargo fund's holdings in CVS and Wrigley driving its 4th quarter performance. He described this as an example of consumer driven companies performing well in the aftermath of hurricane Katrina. Mr. Welker further pointed out strong 4th quarter growth for the Janus Advisers Mid Cap Value Fund, and noted the Julius Baer International Equity fund's performance being affected due to being underweight in Japan.

Mr. Welker concluded Capital Cities' report to the Committee.

VII. Third Party Administrator's Report

Jaimie Beisel of Great West Retirement Services reported to the Committee that a comprehensive and more aggressive plan is underway in recruiting new Local Subdivisions to the Hoosier S.T.A.R.T. plan. Meetings are planned with Kosciusko County and Lake County. Huntingburg Library adopted the plan during their most recent board meeting.

VIII. Indiana Stable Value Fund

John Finnegan of Delaware Investments provided a report for the 1st quarter performance of the Indiana Stable Value Fund. The book value of the fund dropped from \$383.4 million to \$378.4 million, impacting the cash buffer. The current percentage is 8% for the quarter and the goal is 10%. Mr. Heinzmann asked if the current percentage would be a better target considering the original range of 5%. Mr. Finnegan stated that it may be prudent for the Committee to consider making a change from the current 10% to the original 5%. Mr. Heinzmann suggested that the Committee consider approving a resolution to do so at the next quarterly meeting. Ms. Rhoades asked if this type of fluctuation had happened in the past. Mr. Finnegan stated that it had, but infrequently. Monitoring of the allocation and flow would continue.

Mr. Finnegan continued his report moving on to the "Firm Overview". He reminded the Committee that the Jefferson Pilot/Lincoln National merger would become final some time in the first two quarters of 2006 and that it will have no measurable effect on Delaware Investment Advisors, the impact on which will be limited to taking over management of a general account. Mr. Finnegan moved on to "Performance Attribution". After noting that net contributions to the ISVF remained stable, Mr. Finnegan stated that since the inception of the Indiana Stable Value Fund this was the most challenging quarter. He noted the fund's target alpha of 100-125 basis points (bps), which has been 164 bps over the life of the fund, 156 bps over the past three years, 104 bps over the past 2 years, and 63 bps over the past year.

Returning to the challenges of this year, Mr. Finnegan noted the low volatility in the market, the steady rise in interest rates, that government had outperformed spread sectors, that there had been volatility among structured products (MB/AB/CMB), and that the performance in investment grade products had helped, based upon sector and security bets rather than quality. Mr. Finnegan concluded his report stating that due to inflation concerns and interest rates, the fund was anticipating a slower economic growth rate and that they would be taking a more defensive posture.

IX. Counsel's Report

Mary Beth Braitman reported that all Volume Submitter documents the Committee had signed in previous quarterly meeting had been filed with the Internal Revenue Service.

X. Old Business

There being no old business or new business before the Committee the meeting was adjourned at 9:01 AM.



Indiana Deferred Comp Matching Plan Add Ons

1/13/06 – Town of Silver Lake

1/10/06 – Town of Camden